



COUNTY OF SAN LUIS OBISPO

Office of the Auditor-Controller

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TO: JEFF HAMM, HEALTH AGENCY DIRECTOR

FROM: JAMES P. ERB, AUDITOR-CONTROLLER *J.P.E.*

DATE: MARCH 12, 2013

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF THE HEALTH
AGENCY CONDUCTED ON JULY 23, 25, & 26, 2012

Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the count, and to determine compliance with the County IT Acceptable Use Policy Acknowledgement signature requirements.

Scope

Our review included physically counting all cash on hand at each of the Health Agency locations for July 23, 25 or 26, 2012 and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipt totals and to the subsequent deposit. Our review also included an evaluation of internal controls over cash receipts. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

Results

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, the department is in general compliance with the Cash Handling Policy, and the majority of employees signed the Information Technology Acceptable Use Policy Acknowledgement form in a timely manner. During fieldwork we identified some areas where improvements could be made, and we immediately provided the Department with suggestions for making these improvements. Suggestions for improvement are made for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below.

Suggested Improvements

1. Petty Cash Receipts Not Marked "PAID"

We found one location where the two petty cash receipts reviewed were not marked "PAID". The County Auditor-Controller's Cash Handling Policy requires all receipts for reimbursements be marked "PAID" when reimbursement is made to reduce the risk of misappropriation. The petty cash custodian was unaware that petty cash receipts should be marked "PAID" at the time reimbursement is made in order to prevent resubmission of the receipts for payment. The petty cash custodian stated that she would begin marking the receipts as "PAID" at the time of reimbursement.

2. Supervisors Not Reviewing Voided Receipts

We determined that voided receipts are issued without supervisor review at two locations. The Cash Handling Policy requires that the immediate supervisor review and initial voided receipts in the presence of the payer. A brief explanation of the reason for the void should be noted on the receipt. Supervisor approval of voided receipts establishes accountability for the transaction and helps to prevent misappropriation of County funds. Staff stated they were unaware of the requirement that a supervisor must review and initial the voided receipts; however, they indicated that they would adopt the procedure immediately.

3. Safe Not Locked During Working Hours

We noted 2 locations where a safe containing County-business related items was not locked during working hours. The Cash Handling Policy requires the department to maintain accountability for all items stored in the safe. An unlocked safe poses a risk that unauthorized individuals could access items in the safe. Staff stated they were unaware of the requirement to lock the safe during working hours. Staff immediately locked the safe in the presence of the auditors and indicated they would continue to keep the safe locked as required.

4. Staff Certification of Cash Handling Policy

Five out of ten locations had cash handlers and/or supervisors of cash handlers who had not certified in writing that they have read the Cash Handling Policy (Policy). The Policy is required reading for all staff who handle cash. Written acknowledgement by County employees that they have read the Policy helps ensure consistent Countywide procedures for cash handling. We recommend that all Health Agency cash handling staff and their supervisors read the Policy and certify in writing that they have done so.

5. Safe Combinations Not Changed

We found five locations where terminated, transferred or employees who no longer handle cash had knowledge of the safe combinations. The Cash Handling Policy requires that the safe combinations should be restricted to as few employees as possible and that the combination to the safe should be changed whenever an employee who has knowledge of the combination terminates County employment, is transferred to another department, or is removed from cash handling functions. Maintaining the same

safe combinations after employees with knowledge of the combinations no longer require access puts the County's cash and other assets at risk. Subsequent to fieldwork we received notification that three of the locations had changed their safe combinations. We recommend that Health Agency management do a risk assessment and a cost/benefit analysis as to the value of changing the remaining safe combinations.

6. Information Technology Acceptable Use Policy

We found four out of twenty-nine employees sampled had not signed the Information Technology Security Program Acceptable Use Policy (AUP) and four other employees had not signed the AUP within the year prior to our review. The County's AUP addresses inappropriate use of County computing assets, and by signing the policy annually, employees acknowledge they are bound by the AUP. Inappropriate use of County computer assets exposes the County to risks and threats to telecommunication, information systems, network, facilities, and legal issues. We discussed the results of our testing with management, and subsequent to fieldwork the Agency followed up on our findings in order to ensure that employee records are updated for current acknowledgement of the AUP.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.